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BILL CHENEY
President & CEO

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July 7, 2011

The Honorable Elizabeth A. Duke
Board of Governors of the Federal Reserve System
20th and C Streets, NW
Washington, DC 20551

Dear Governor Duke:

On behalf of the Credit Union National Association, I am writing to you following the Board's approval of the debit card interchange rule June 29 2011 – a regulation that, due to provisions in Section 1075 of the Dodd-Frank Act, presents uncertainties for the 70% of credit unions that offer debit cards to their members.

I want to acknowledge your efforts to raise concerns about small issuers at the Board meeting. We also appreciate the Board's willingness to consider the concerns of small issuers regarding the debit card interchange rule and to include key revisions, consistent with Section 1075 of the Dodd-Frank Act. In particular, changes CUNA supported include those to reinforce the statutory exemption for issuers with assets under \$10 billion, such as annual reporting by the networks and publication by the Board regarding debit interchange fees provided to issuers, and the increased fee cap, which may ultimately affect all issuers. The Board studies approved following Governor Tarullo's resolution will also be useful.

As the Board knows, credit unions that offer debit cards to their members are anxious about the potential loss of debit interchange income as well as the impact of the routing and exclusivity provisions on their debit card programs. The interchange statute in our view is bad law and poor public policy, and no regulation can cure the flaws in the statutory provisions. Moreover, we won't really know the total effect of the Board's rule on credit unions until the regulation has been implemented for a number of months. We have encouraged Congress to continue a watchful eye on the implementation process and we would like to work with the Board in its ongoing efforts to monitor the impact of the interchange rule.

Meanwhile, we appreciate the Board's efforts to address issuers' concerns, particularly smaller financial institutions.

Best regards,

Bill Cheney
President & CEO